



# CHAPTER THREE

## FINANCIAL MANAGEMENT

## Chapter 3 - Financial Management

### Background

The Department of Defense (DoD) is continuously transforming its Financial Management operations, process and systems. Many of these transformations can be found in the *Biennial Financial Management Improvement Plan*, the *CFO Five-Year Plan*, the *Annual Report to the President and Congress 1999*, the *Government Performance and Results Act (GPRA) Performance Plan*, and the *DFAS Performance Contract*.

The two major process owners that support and are responsible for the Financial Management Defense Reform Initiatives are the Office of the Under Secretary of Defense (Comptroller) and the Defense Finance and Accounting Service (DFAS).

The Department's Financial Management Reforms goal is to streamline and redesign DoD financial processes and organizations in order to make them optimally effective and cost efficient. These reforms also seek to ensure that Financial Management fulfills the needs of its leaders, satisfies statutory requirements, minimizes the potential for fraud, and provides superior customer service.

As part of efforts to overhaul financial operations and systems, the Department is eliminating redundancy in, and reducing the cost of, accounting and finance activities. By standardizing systems, consolidating operating locations, and implementing more modern technologies, DFAS has significantly reduced the cost of finance and accounting operations, while improving the quality of services. DFAS has consolidated 338 Defense accounting offices into 25 locations; standardized systems for civilian pay, military pay, retiree and annuity pay, and debt management; and reengineered business practices.

Regarding Financial Business Practices Reform, the President is committed to obtaining an "unqualified audit opinion" on the Government's financial statements. Within DoD, the Secretary of Defense designated the Under Secretary of Defense (Comptroller) to oversee the efforts to improve the manner in which financial information is captured and reported in all the systems—not just its financial systems. Taking measures to correct systemic deficiencies is a Departmentwide management challenge. To accomplish this objective, initiatives to improve the accuracy, timeliness, and usefulness of financial information are being developed. To achieve favorable audit opinions, a number of steps are being taken to modify acquisition, logistics, medical, and personnel processes. These steps allow a focus on the functionality needed to adequately capture and report new information. To that end, the Department has developed a strategic long-term "concept of operations" for Financial Management.



# Chapter 3 - Financial Management

- **Background**

- Goal is to streamline and redesign DoD Financial Management processes and organizations for optimal effectiveness and cost efficiency
- DoD is transforming Financial Management operations, processes, and systems
- DFAS is standardizing systems, consolidating operating locations, and implementing improved technologies
- Desired outcome of financial business practices reform is an “unqualified audit opinion”
- Long-term “concept of operations” developed to support that outcome

# Chapter 3 - Financial Management

## Initiatives

At the time this project was conducted, Financial Management Reform focused on the following three initiatives:

- 3.01 Improve DoD Financial Management Systems
- 3.02 Reengineer DoD Financial Management Business Practices
- 3.03 Improve Financial Management Framework

These initiatives are aligned with the DoD *CFO Five-Year Plan*, the *1999 Annual Report to the President and Congress*, the *Government Performance and Results Act (GPRA) Performance Plan*, and/or the *Biennial Financial Management Improvement Plan*.

During the course of this project, the structure of the Financial Management Reform Initiative changed and now includes the following four initiatives:

- 3.01 Implement Effective Systems
- 3.02 Reengineer DoD Business Practices
- 3.03 Improve Financial Management Framework
- 3.04 Defense Working Capital Funds

This report will address the first three initiatives only.

## Performance Measures

During this project, a working group comprising representatives from the OSD Comptroller's Office, DFAS, DRIO, and the contractor followed a balanced scorecard approach in developing performance measures. They evaluated each initiative from the financial perspective, the customer perspective, the internal (business process) perspective, and the innovation and learning perspective. The group developed potential performance measures, and a number of those were approved for use. Recommendations were made regarding other potential measures.

The Financial Management Initiatives are mainly measured in terms of Financial Management systems. The metrics chosen are often output measures, rather than outcome ones. DoD Financial Management, however, does track and monitor performance measures that are not reported as part of the Defense Reform Initiative. Some of these metrics will be discussed in the team's recommendations.



# Chapter 3 - Financial Management

- **Initiatives**

- Implement Effective Systems
- Reengineer DoD Business Practices
- Improve Financial Management Framework
- Initiatives remain aligned with DoD *CFO Five-Year Plan, 1999 Annual Report to the President and Congress, Government Performance and Results Act (GPRA) Performance Plan, and Biennial Financial Management Improvement Plan*

- **Performance Measures**

- Adopted a balanced scorecard approach
  - Financial perspective
  - Customer perspective
  - Internal (business process) perspective
  - Innovation and learning perspective

## Chapter 3 - Financial Management

### Recommendations

The existing performance measures for the Financial Management Initiatives are a good starting point, but generally do not go far enough to measure desired outcomes. For example, decreasing the number of Financial Management systems to 31 does not tell the whole picture to DFAS customers/stakeholders, the Financial Management staff, the Congress, or the taxpayers. The following are recommendations for a completed scorecard:

- Internal Business Process (auditable data from financial and accounting systems) - It is recommended that DFAS and the DoD Comptroller continue to pursue a greater level of auditable data, with the goal of an "unqualified audit opinion" on the Government's financial statements.
- Customer Satisfaction - Customer satisfaction should be measured. This can be done by monitoring trouble calls and gathering information as to how problems are resolved, the time it takes to resolve problems, and the degree to which the customer was satisfied with the service. Commercial off-the-shelf (COTS) software programs can track customer satisfaction. Another potential measure for customer service is number and type of system (i.e., infrastructure) problems encountered. Customer satisfaction could be tracked through the OSD Comptroller/DFAS Web sites.
- Training - Training of the financial and accounting staff on improved Financial Management systems should be measured against numbers of personnel and against milestone dates. Also, the extent to which training is effectively meeting the requirements of the staff to enable them to perform their job can be collected, possibly in conjunction with performance reviews.
- Financial - Cost savings associated with reducing the number of systems should be measured.



# Chapter 3 - Financial Management

- **Recommendations**

- Existing measures are a good start
- Broaden focus from output measures to outcome measures, using a balanced scorecard approach
- Measure enhancement of Financial Management systems toward auditable Financial Management data in order to obtain an “unqualified audit opinion”
- Initiate customer satisfaction measures
- Measure training of staff on improved financial and accounting systems
- Measure cost savings associated with system improvements

## Chapter 3 - Financial Management

### Recommendations (cont'd)

There are many performance measures scattered throughout the *DFAS Performance Contract*, the *Annual Report to the President and the Congress*, the *GPRA Performance Report*, the *CFO Five-Year Plan*, and the *Biennial Financial Management Improvement Plan*. The issue is the lack of a complete set of performance measures that are tied to Financial Management in any one report. The project team put together a matrix that shows each metric, annotated by report, for the current DRI performance measures and the recommended measures. To the extent practicable, a consistent set of measures should be used for all reports. An additional concern is that the performance metric numbers in some of the reports do not match. The project team's recommendation is to appoint one office to be responsible for all Financial Management performance data. This office would review and approve all Financial Management data related to performance measures, monitoring for consistency of data between reports. It could also recommend changes to performance measures as required, with the objective to ensure that the measures are "balanced" to give the DoD Financial Management leadership a complete picture of the Financial Management business processes.





# Chapter 3 - Financial Management

- **Recommendations (cont'd)**
  - To the extent practicable, use a consistent set of measures for all reports
  - Identify one office to review and approve data for various reports to ensure consistency
  - Same office can recommend changes in measures as needed, ensuring a “balanced scorecard”

## Chapter 3 - Financial Management

### Recommendations (cont'd)

The matrix that follows shows each metric, located by report, for the current DRI performance measures and the recommended measures .

<b>DRI PERFORMANCE MEASURES AND RECOMMENDATIONS</b>	<b>CFO FIVE-YEAR PLAN</b>	<b>DFAS PERFORMANCE CONTRACT</b>	<b>BIENNIAL FINANCIAL MANAGEMENT IMPROVEMENT PLAN</b>	<b>ANNUAL REPORT TO THE PRESIDENT &amp; CONGRESS</b>	<b>GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)</b>	<b>NEW SOURCE RECOMMENDATION/ NO SOURCE DOCUMENT</b>
<b>DRI PERFORMANCE MEASURES</b>						
3.1 Paychecks Delivered On Time	X	X				
3.1 Reduce Delivery Time of Accounting Reports		X	X			
3.1 Reduce the Number of Finance and Accounting Systems	X	X	X	X	X	
3.1 DFAS Corporate Information Infrastructure by Stage		X	X	X		
3.2 Migration to a Paperless Environment	X	X		X		
3.3 Reducing Problem Disbursements						
<b>RECOMMENDED DRI PERFORMANCE MEASURES</b>						
3.1 Enhance systems for making data more auditable	X		X			
3.1 Cost Saving( if any) by Decreasing Number of Systems						X
b. Where are cost savings reprogrammed						X
3.1 Provide Enhanced Training on DFAS Corporate Systems						X
b. Use of Web Based Training						X
c. Measure Effectiveness of Training						X
3.1 Track Financial Management Hardware/Software Issues						X
a. Track Corrective Actions and Time to Fix Issue						X
3.1 Track Financial Management Infrastructure Issues						X
a. Track Corrective Actions and Time to Fix Issue						X
3.1 Accurate Paychecks		X				
3.1 Time to Fix Pay Resolutions		X				
3.2 Complete All Necessary A-76 Studies	X	X	X			
3.2 Complete BPR, ABC, and Benchmarking Studies		X				
3.2 Improve Customer Satisfaction		X				
a. Link Customer Satisfaction to Performance Appraisal						X
3.3 Financial Management Certification Program			X			
a. Promotions Should be Linked to Increased Education		X				X
3.3 Obtain an "Unqualified Audit Opinion"		X			X	
3.3 Decrease DoD Finance Total Operating Cost						X
a. Decrease DFAS Total Operating Cost		X				
b. Track Reprogrammed Dollars						X
3.3 Make All Financial & Accounting Statements Compliant	X		X	X		
3.3 Decrease and Eliminate Negative Unliquidated Obligations		X	X			
3.3 Eliminate In-Transit Disbursements		X	X			
3.3 Standardize Financial Business Processes and Accounting Standards	X		X			
3.3 Improve DFAS Internal Controls	X		X	X		

## **Initiative 3.01 – Implement Effective Systems**

### **Background**

The Office of the Under Secretary of Defense(Comptroller) has oversight of the improvement of DoD finance and accounting systems. The Department's approach for improving Financial Management is to move toward an integrated Financial Management system, comprising primarily substantially compliant finance, accounting, and critical feeder systems. The strategy for achieving integrated Financial Management systems includes eliminating unnecessary systems and consolidating others—the Department's goal is to eliminate outdated, noncompliant systems. Accounting and finance systems are compliant when they substantially meet Federal Financial Management system requirements, adhere to applicable Federal accounting standards, and use the U. S. Standard General Ledger at the transaction level.

The DFAS Corporate Information Infrastructure (DCII) is in the process of being implemented to help modernize finance and accounting systems and support future financial activities. DCII's primary function will be to standardize DoD finance and accounting data and transactions.

By standardizing Financial Management systems, DoD will also be able to decrease the time that it takes to get reports back to the customers. This, in turn, will lead to the improvement of timely and accurate Financial Management decisions.

### **Approach**

The project team investigated all current publicly available information to augment their existing background knowledge in DoD finance and accounting programs. Extensive interviews and interaction were conducted with the Financial Management Initiative Team, comprising representatives of the OSD Comptroller Office and DFAS. The objective was to gain a direct understanding of underlying goals and currently available information/data that could be used in developing performance measures and scorecards. This working group adopted the balanced scorecard approach, as each initiative was evaluated from the financial perspective, the customer perspective, the internal (business process) perspective, and the innovation and learning perspective.

Following data assessment and review of performance measures external to DRI, the group developed proposed performance measures and presented them to the initiative leads. Following initiative lead acceptance of new metrics, scorecards were developed to portray DoD performance within the new metrics.



## 3.01 – Implement Effective Systems

- **Background**

- Implement an architecture for an integrated Financial Management system
- Eliminate noncompliant finance and accounting systems
- Standardize finance and accounting systems

- **Approach**

- In-depth meetings with Financial Management initiative team
- Balanced scorecard approach
- Joint development of metrics/scorecards
- Approval of performance metrics by process owners

## **Initiative 3.01 – Implement Effective Systems**

### **Performance Measures**

Existing metrics for Implement Effective Systems include the following:

- Delivery of paychecks before the designated payday
- Delivery of timely accounting reports
- Reduction in the number of finance and accounting systems
- Implementation of DFAS Corporate Information Infrastructure by stage

Scorecards for these measures are included in this section.

The first metric, delivery of paychecks before the designated payday, is an output measure and relates only indirectly to actual customer service, execution, or performance. The second measure, delivery of timely accounting reports, is a cycle time measure that tracks the decrease of days for the appropriation funds report. The third metric, reduction in the number of finance and accounting systems, is an input measure that demonstrates the decrease in financial and accounting systems since FY1991. The fourth metric, Implementation of DFAS Corporate Information Infrastructure by stage, is an implementation schedule and not a true metric; however, it focuses on a Financial Management outcome. This implementation schedule demonstrates DFAS working toward becoming CFO Act-compliant.



## 3.01 – Implement Effective Systems

- **Performance Measures**
  - Delivery of paychecks before the designated period
  - Delivery of timely accounting reports
  - Reduction in the number of finance and accounting systems
  - Achievement of milestones for implementation of the DFAS Corporate Information Infrastructure

## **Initiative 3.01 – Implement Effective Systems**

### **Recommendations**

The following recommended measures (in order of importance) should be included in DRI 3.01 in order to create a balanced scorecard:

- Internal Business Process - Measure enhancement of finance and accounting systems to promote auditable data (reengineering toward private-sector benchmarks (i.e., GAP)).
- Financial - Cost savings (if any) by decreasing number of systems.
- Financial - Costs saving dollars reprogrammed against requirements.
- Customer Service - Timeliness and accuracy of paychecks.
- Customer Service - Cycle time to resolve inaccurate paycheck problems.
- Innovation and Learning - Level of enhanced training of employees on the accurate use of Defense Finance and Accounting Corporate Systems (computer-assisted training or Web-based training could be used for this training).
- Customer Service - Measure Financial Management infrastructure issues and corrective actions by number, type, and resolution cycle time.
- Customer Service - Measure Finance and Accounting issues that are hardware- or software-related and corrective actions by number, type, and resolution cycle time.

The development and adoption of these measures will improve the overall performance of DoD's Financial Management process. Performance-based management will assist DoD Financial Management personnel in meeting future challenges and will benefit process customers, stakeholders, and staff.





## 3.01 – Implement Effective Systems

- **Recommendations**
  - Develop outcome measures
  - Use balanced scorecard approach
    - Process - Percentage of auditable data
    - Financial - Savings; reprogramming against requirements
    - Customer - Timeliness, accuracy, and problem resolution cycle time for paychecks
    - Learning/Innovation - Results of training on new systems
  - Develop performance measures for systems and infrastructure issues

## Initiative 3.01 - Implement Effective Systems

**Goal:** Through implementation of effective systems, deliver paychecks before the designated payday

**Performance Measure:** Percentage of paychecks delivered before the designated payday

	Baseline						Goal
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actual	99.5%						
Projected		99.6%	99.6%	99.7%	99.8%	99.8%	99.9%

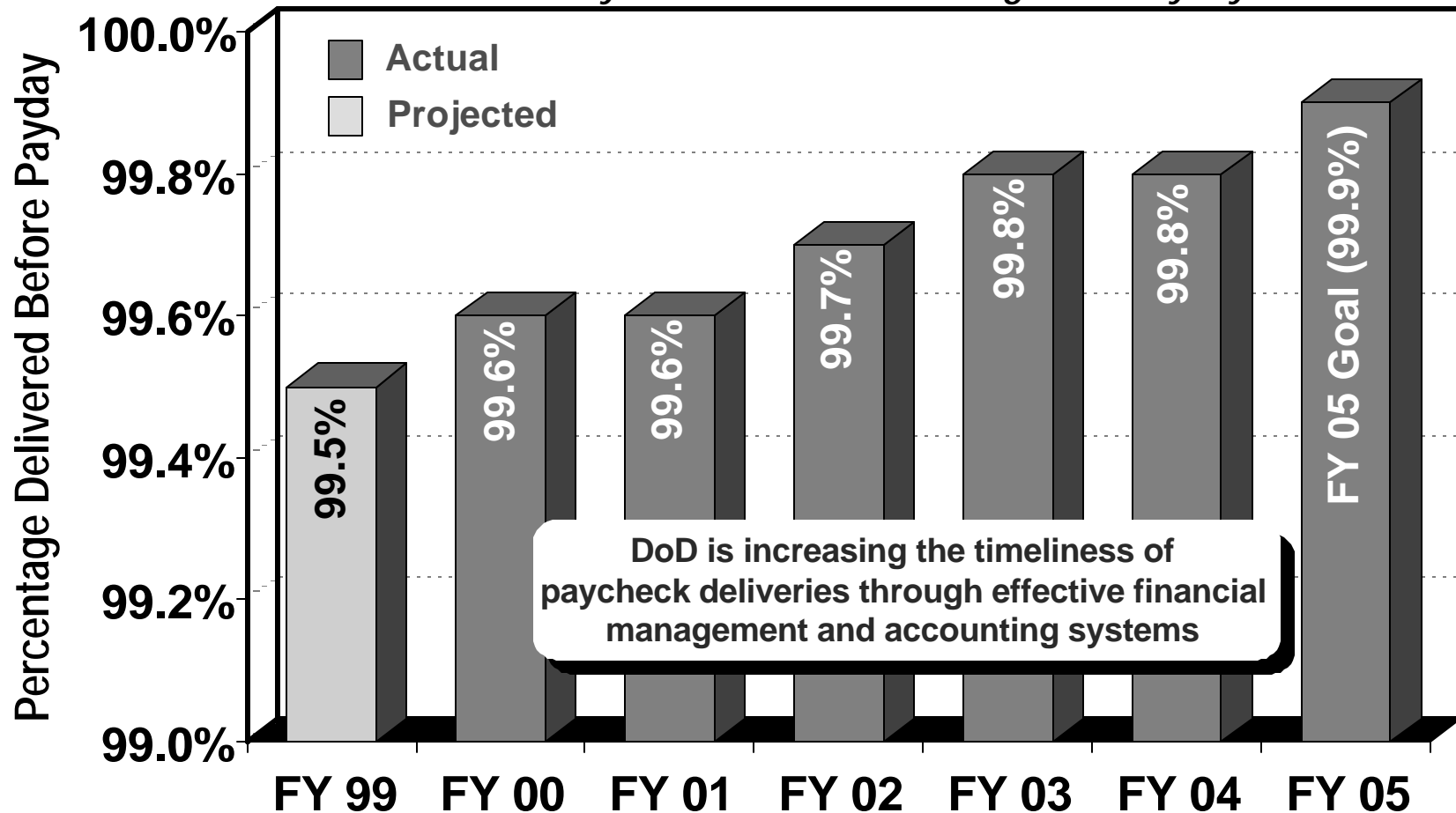
**Source:** *DFAS Performance Contract*

**Organization, Systems and Other Issues:** Some consideration should be given to including, as a DRI measure, performance metrics for accuracy and the time it takes to resolve paycheck problems. These measures have already been established as part of the *DFAS Performance Contract* (see recommended scorecards).



# Improve DoD Financial Management Systems

*Deliver Paychecks Before the Designated Payday*



## Initiative 3.01 - Implement Effective Systems

**Goal:** Reduce the number of days for delivery of accounting reports on appropriation funds

**Performance Measure:** Report delivery time (in days)

	Baseline				Goal
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>(Days)</u>					
Actual	17				
Projected		16	15	14	13

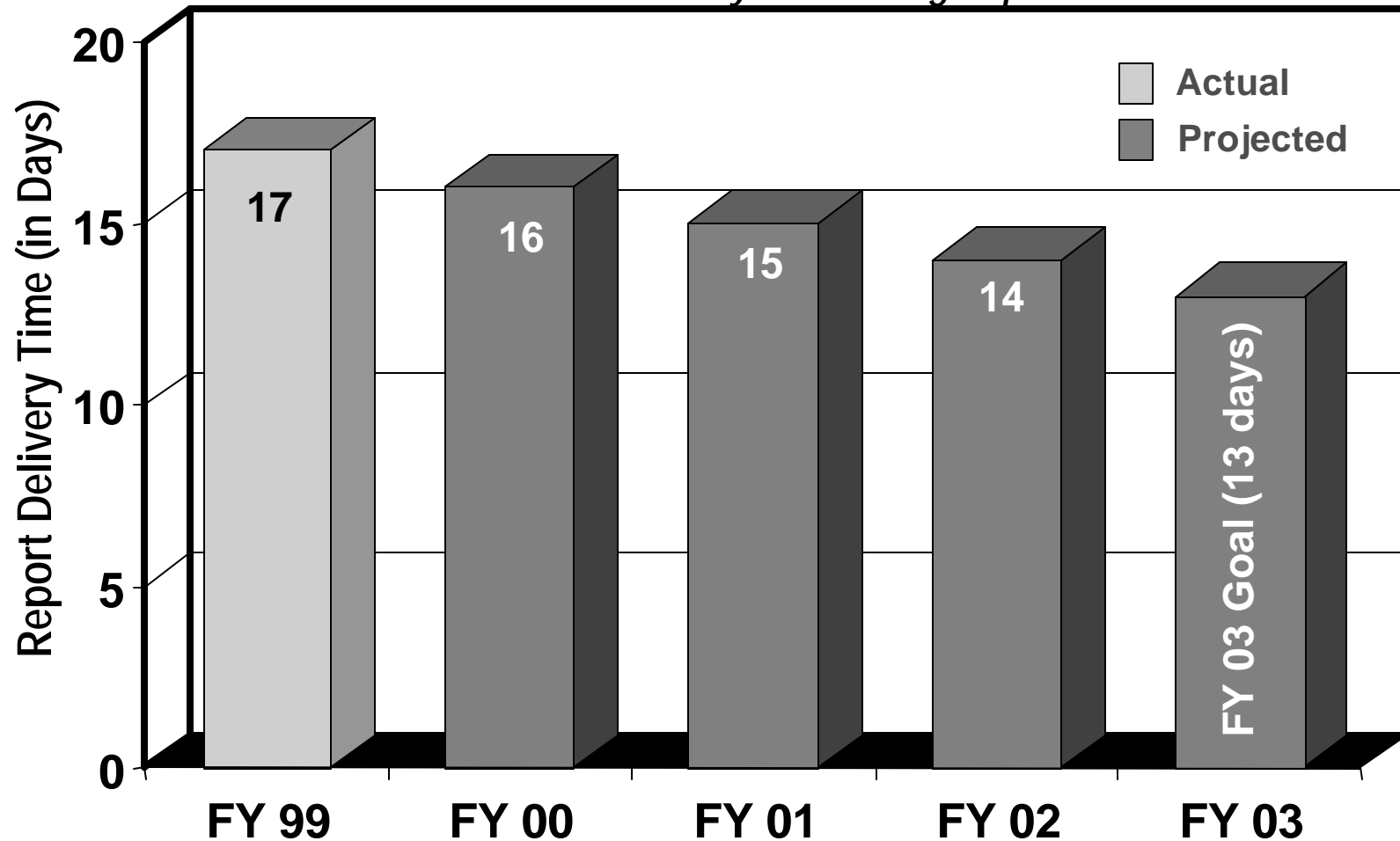
**Source:** *DFAS Performance Contract*

**Organization, Systems and Other Issues:** This measure provide decisionmakers with timely financial data by reducing delivery time for accounting reports on appropriation funds. Performance metrics for accuracy and performance metrics on customer satisfaction feedback are also recommended.



# Improve DoD Financial Management Systems

*Deliver Timely Accounting Reports*



## Initiative 3.01 - Implement Effective Systems

**Goal:** Reduce the number of finance and accounting systems

**Performance Measure:** Number of finance and accounting systems

	Baseline								
	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Actual	324	312	278	270	256	217	156	109	98
	Goal								
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>					
Projected	89	73	57	31					

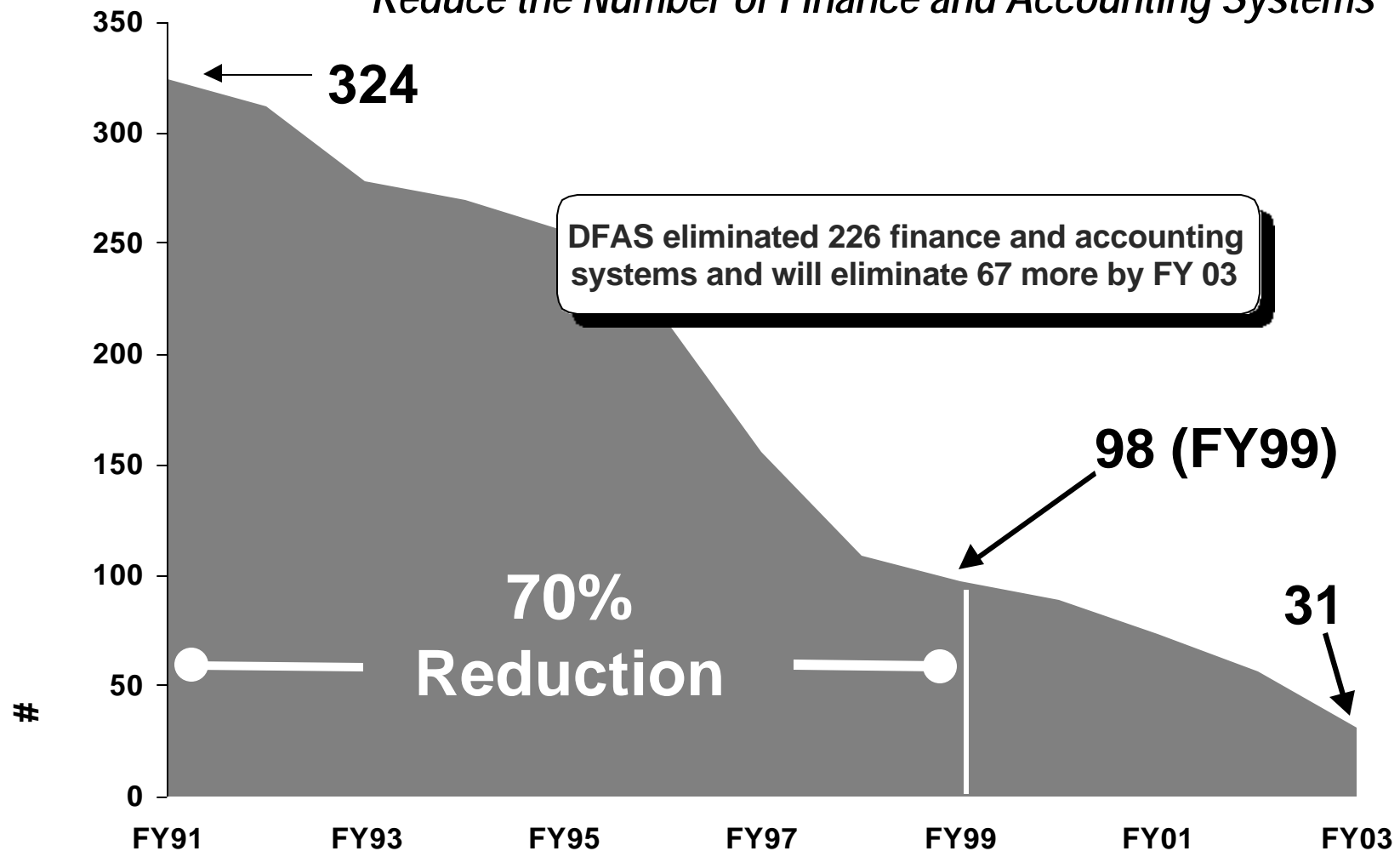
**Source:** *Annual Report to the President and the Congress*

**Organization, Systems, and Other Issues:** The intent behind this goal is to leverage technology and change processes to improve performance and reduce cost by reducing the number of finance and accounting systems. Consideration should be given to performance metrics for making systems auditable, cost savings associated with reduction of systems, results of training staff on systems, and the tracking of infrastructure problems and the time taken to fix the problems.



# Improve DoD Financial Management Systems

*Reduce the Number of Finance and Accounting Systems*



## Initiative 3.01 - Implement Effective Systems

**Goal:** Meet near-term, midterm, and long-term milestones for implementation of the DFAS Corporate Information Infrastructure

**Performance Measure:** Adherence to the DFAS Corporate Information Infrastructure implementation schedule supports compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA).

	1998	2003	2005
<b>Stage 1</b> Accounting Systems	91		22
<b>Stage 1</b> Financial Systems	18		8

**Stage 2** DCII Corporate Applications - 2-6 years

**Stage 3** DoD Enterprise Integration - 6-10 years

**Source:** *DoD Biennial Financial Management Improvement Plan, DoD Comptroller, Annual Report to the President and the Congress*

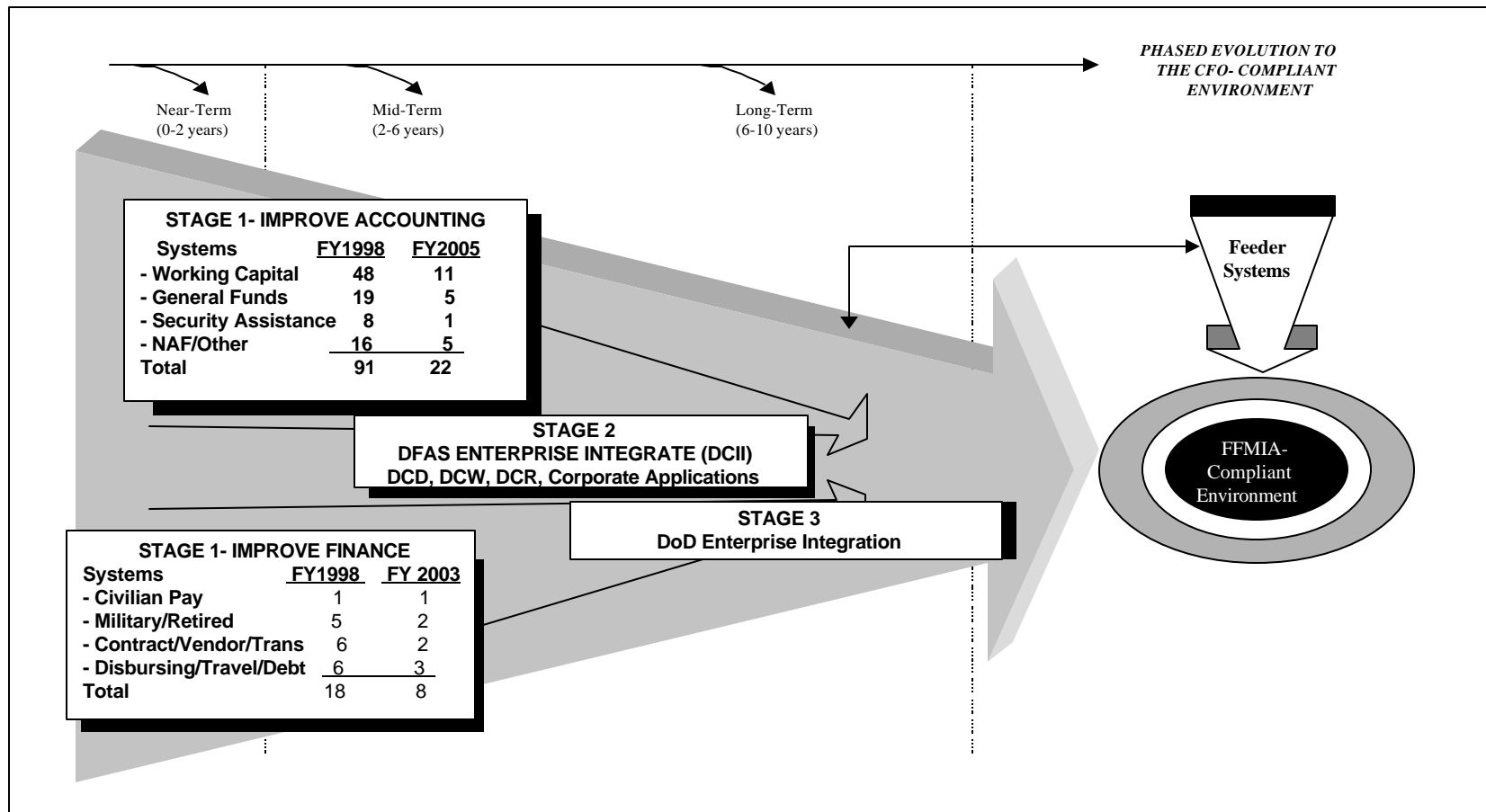
**Organization, Systems & Other Issues:** This implementation schedule will tie into the CFO Act and the FFMIA. Since there are several applications, recommend that breakdown metrics for DCII Corporate Applications implementation plan and performance metrics be developed. All systems will integrate with the DII National Information Infrastructure and Global Information Infrastructure.





# Improve DoD Financial Management Systems

## DFAS Corporate Information Infrastructure by Stage



### Notes:

1) All systems will integrate with the DII National Information Infrastructure and Global Information Infrastructure.

## Initiative 3.01 - Implement Effective Systems

**Goal:** Resolve pay problems within 30 days of notification.

**Performance Measure:** Percentage of pay problems resolved within 30 days of notification.

	Baseline						Goal
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actual	93%						
Projected		95%	96%	97%	98%	99%	99.5%

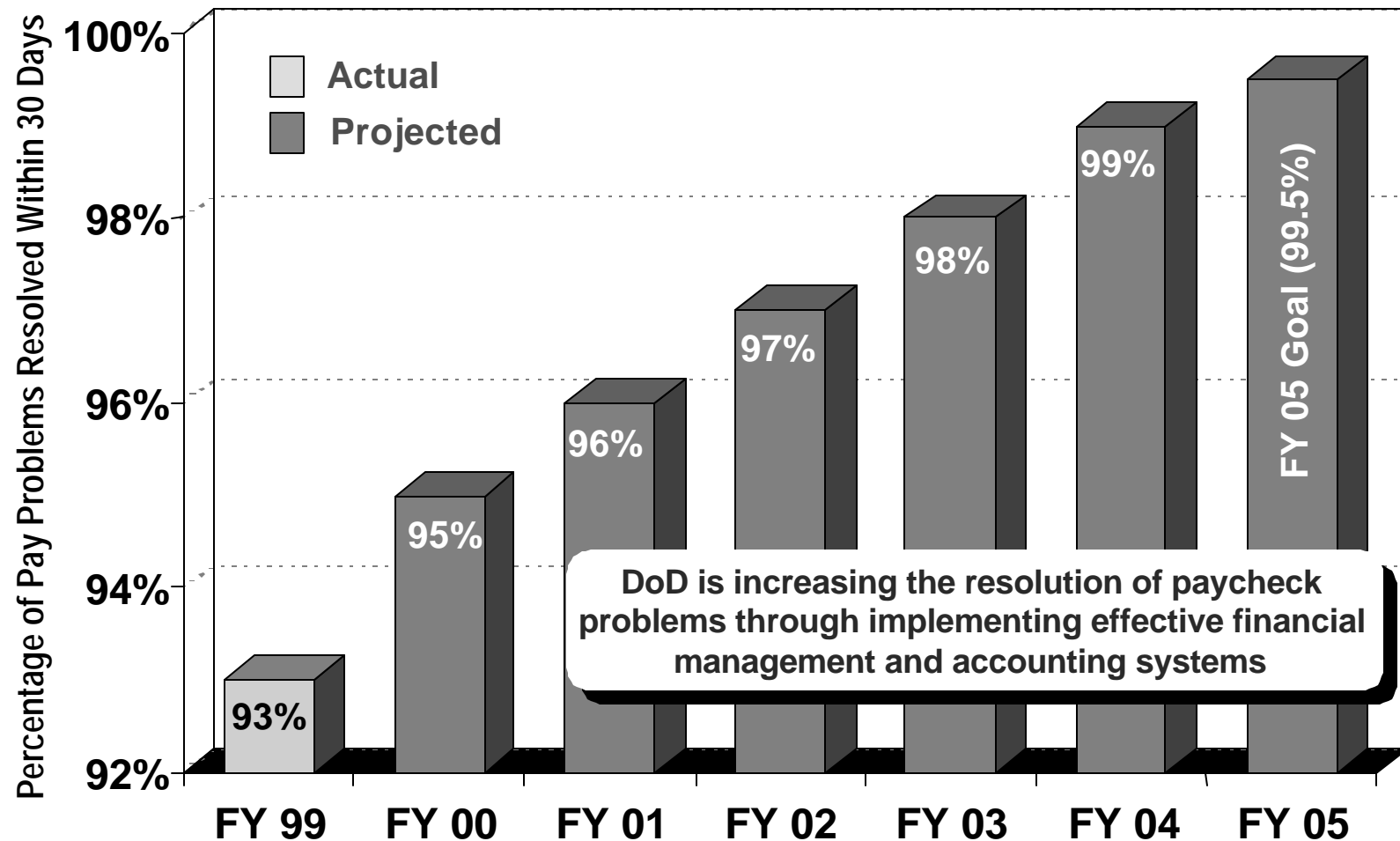
**Source:** *DFAS Performance Contract*

**Organization, Systems, and Other Issues:** This is recommended as a DRI measure.



# Improve DoD Financial Management Systems

*Resolve Pay Problems Within 30 Days of Notification*



## Initiative 3.01 - Implement Effective Systems

**Goal:** Train 75 percent of personnel on the use of Defense Finance and Accounting Corporate Systems by 2005

**Performance Measurement:** Percentage of personnel trained on systems

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Actual</b>						
<b>Projected</b>	12.5%	25%	37.5%	50%	62.5%	75%

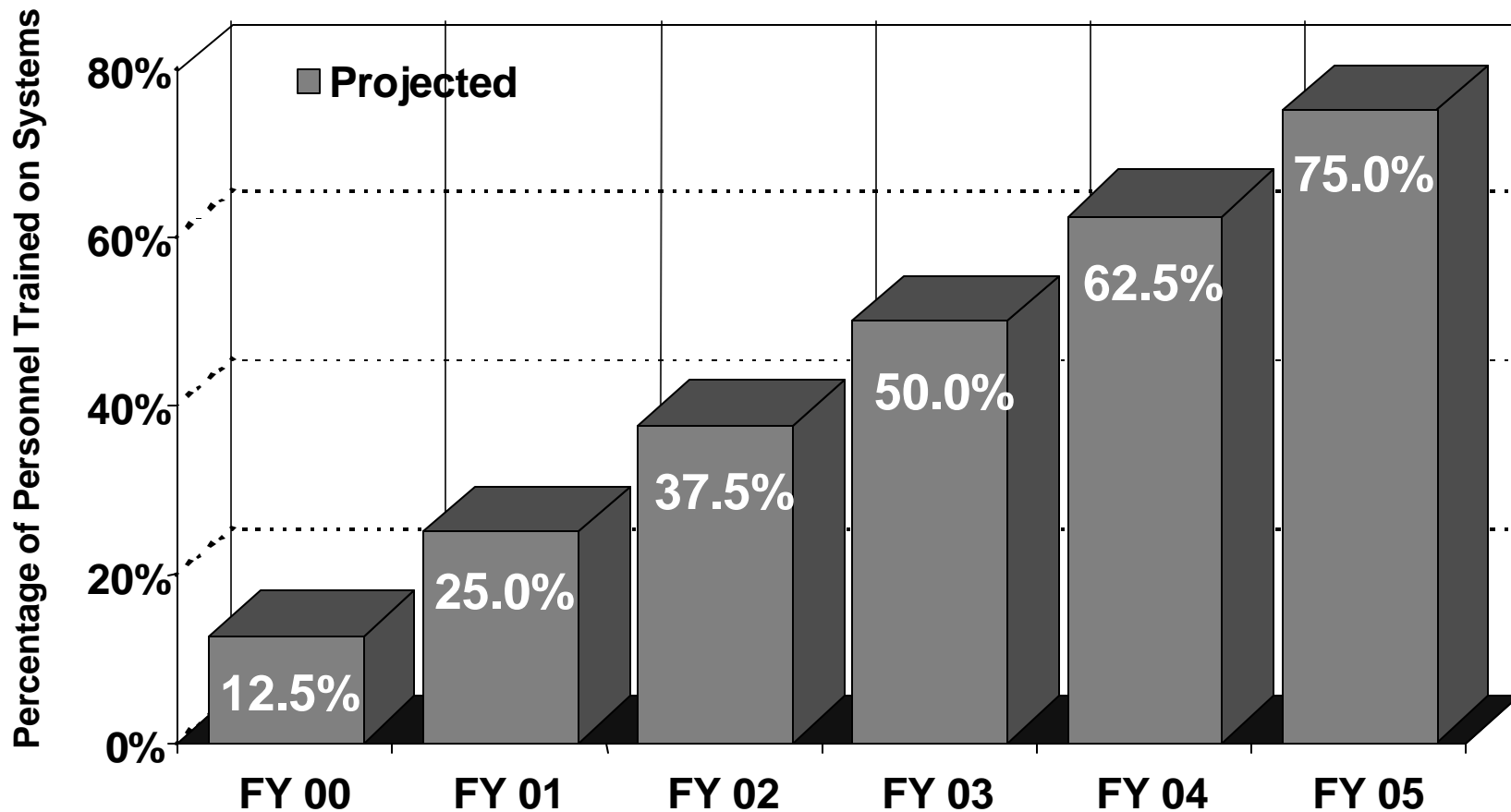
**Source:** None

**Organization, Systems, and Other Issues:** This is recommended as a DRI measure.



# Improve DoD Financial Management Systems

*Enhance Employee Training on the Use of Defense Finance and Accounting Corporate Systems*



## **Initiative 3.02 - Reengineer DoD Business Practices**

### **Background**

The Department of Defense, Office of the Comptroller is responsible for the reengineering of the Financial Management process. DFAS is promoting the paperless exchange of financial information through a variety of initiatives such as electronic document management (EDM). In addition, World Wide Web applications are enabling on-line, real-time access to documents needed to perform bill paying and accounting operations. DFAS is examining outsourcing initiatives and A-76 studies to become more efficient. The overall goal is to make DoD financial business practices straightforward, more efficient, and more effective in order to meet stakeholder, customer, and staff requirements.

### **Approach**

The project team investigated all current publicly available information to augment their existing background knowledge in DoD finance and accounting programs. Extensive interviews were then held with members of the Financial Management Initiative team to gain a direct understanding of underlying goals and currently available information/data that could be used in developing performance measures and scorecards. The resulting working group adopted the balanced scorecard approach, as they evaluated each initiative from the financial perspective, the customer perspective, the internal (business process) perspective, and the innovation and learning perspective.

Following data assessment and review of measures external to the DRI, the group developed proposed performance measures and presented them to the initiative leads. Following initiative lead acceptance of new metrics, scorecards were developed to portray DoD performance within the new metrics.



## 3.02 - Reengineer DoD Business Practices

- **Background**

- Reengineer the DoD Financial Management process to make DoD financial business practices straightforward, more efficient, and more effective in order to meet stakeholder, customer, and staff requirements

- **Approach**

- In-depth meetings with Financial Management Initiative team
- Balanced scorecard approach
- Joint development of metrics/scorecards

## **Initiative 3.02 - Reengineer DoD Business Practices**

### **Performance Measures**

The existing measure for Reengineering DoD Financial Management Business Practices relates to migration to a paperless environment. This represents an implementation-tracking metric that reviews the number of paperless transactions.

### **Recommendations**

To achieve successful reengineering, it is critical that the Department develop a sound business plan that will identify and adopt successful business practices from both the private and government sectors. Within the business plan, the Department should identify performance measures for achievement of planned improvements.

The performance metric in Initiative 3.02 is appropriate to measure migration to a paperless environment; however, subsets of the paperless environment could also be measured. The Department should measure achievement of the milestones related to the development of EDM and World Wide Web efforts to gain real-time access to documents needed to perform bill-paying and accounting operations.

Cost savings from A-76 outsourcing initiatives, or other streamlining initiatives, is another measure that would reflect outcome of the Department's efforts in the Financial Management area.

The following are recommendations for additional performance measures, derived using a balanced scorecard approach.

- Financial/Internal Business Process - Savings from A-76 studies and other outsourcing initiatives
- Internal Business Process - Results of activity based cost studies and related business process reengineering studies for each functional area outlined in the *DFAS Performance Contract*
- Customer Satisfaction - Customer satisfaction levels resulting from process changes, possibly linked to individual performance appraisals





## 3.02 - Reengineer DoD Business Practices

- **Performance Measures**
  - Migration to a paperless environment
- **Recommendations**
  - Develop business plans and related performance measures that reflect achievement of plan objectives
  - Track cost savings of financial A-76 and other outsourcing efforts
  - Measure results from ABC/BPR studies for business areas as required by the *DFAS Performance Contract*
  - Measure customer service levels - consider links to individual performance appraisals

## Initiative 3.02 - Reengineer DoD Business Practices

**Goal:** 90 percent paperless transactions by 2005

**Performance Measurement:** Percentage of paperless transactions

	Baseline					Goal
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actual	60%					
Projected		70%	75%	80%	85%	90%

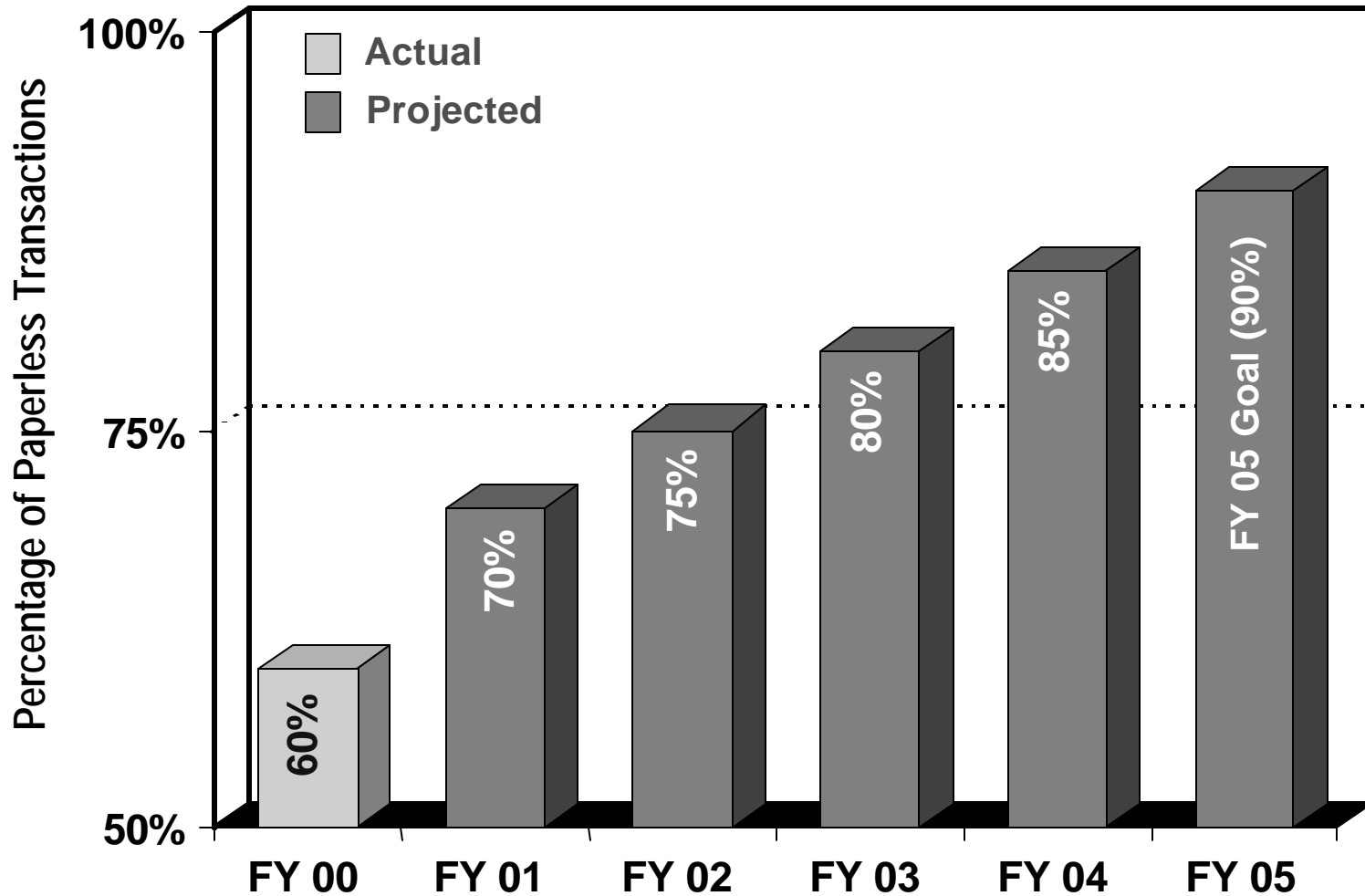
**Source:** *DFAS Performance Contract, Annual Report to the President and Congress*

**Organization, Systems, and Other Issues:** This existing measure is dependent on compliance with IT implementation schedules.



# Reengineering Financial Management Business Practices

*Migration to a Paperless Environment*



## Initiative 3.02 - Reengineer DoD Business Practices

**Goal:** Improve customer satisfaction to 95 percent by 2005

**Performance Measurement:** Customer satisfaction levels

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<b>Goal</b> <u>2005</u>
<b>Projected</b>	<b>70%</b>	<b>75%</b>	<b>80%</b>	<b>85%</b>	<b>90%</b>	<b>95%</b>

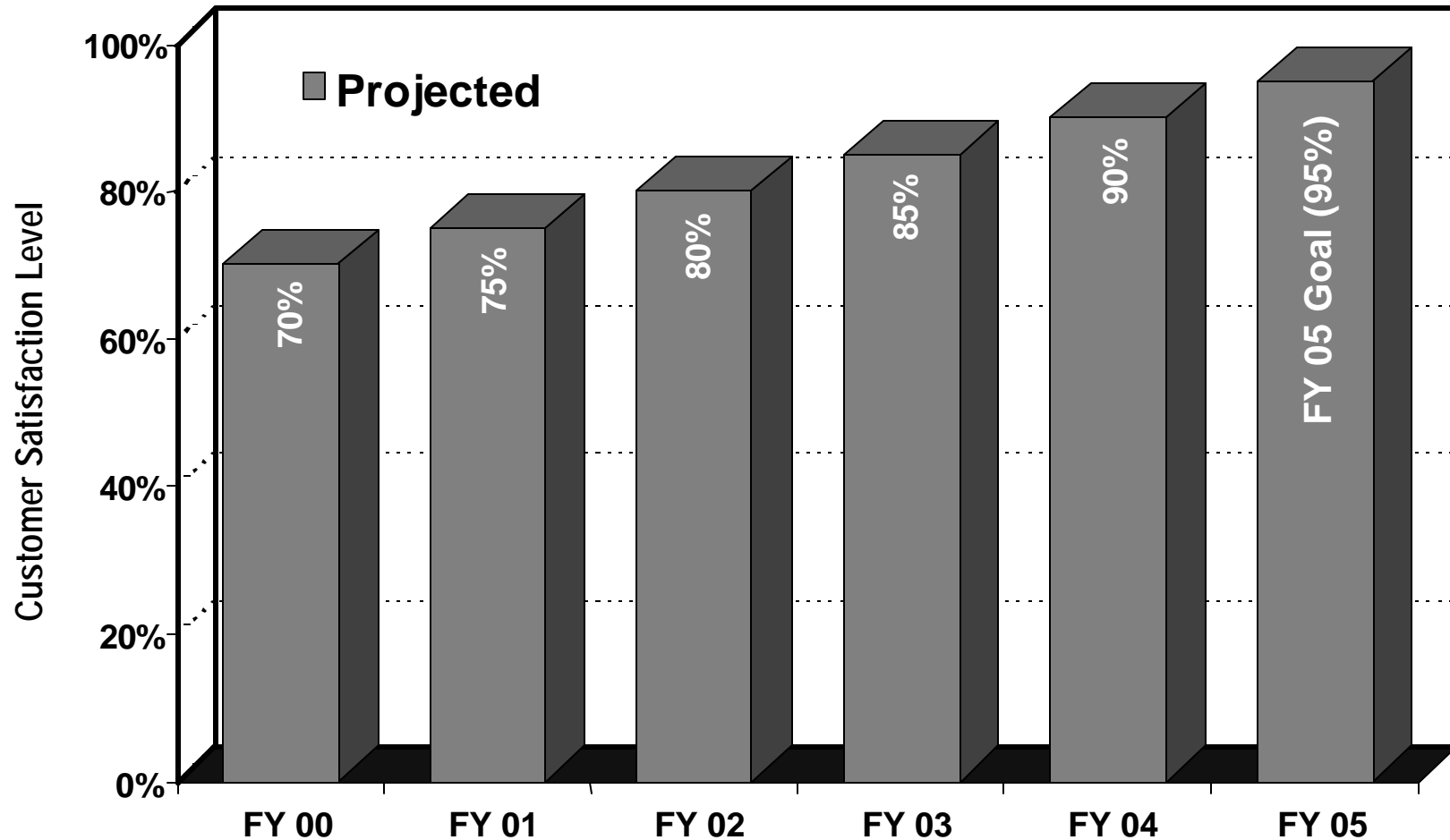
**Source:** *DFAS Performance Contract*

**Organization, Systems, and Other Issues:** This is recommended as a DRI measure



# Reengineer Financial Management Business Practices

*Improve Customer Satisfaction to 95% by FY 2005*



## Initiative 3.02 - Reengineer DoD Business Practices

**Goal:** Complete initiatives resulting from benchmarking/ABC/BPR for business functions by 2005

**Performance Measurement:** Percentage of initiatives implemented

						Goal
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Projected	10%	20%	30%	40%	80%	100%

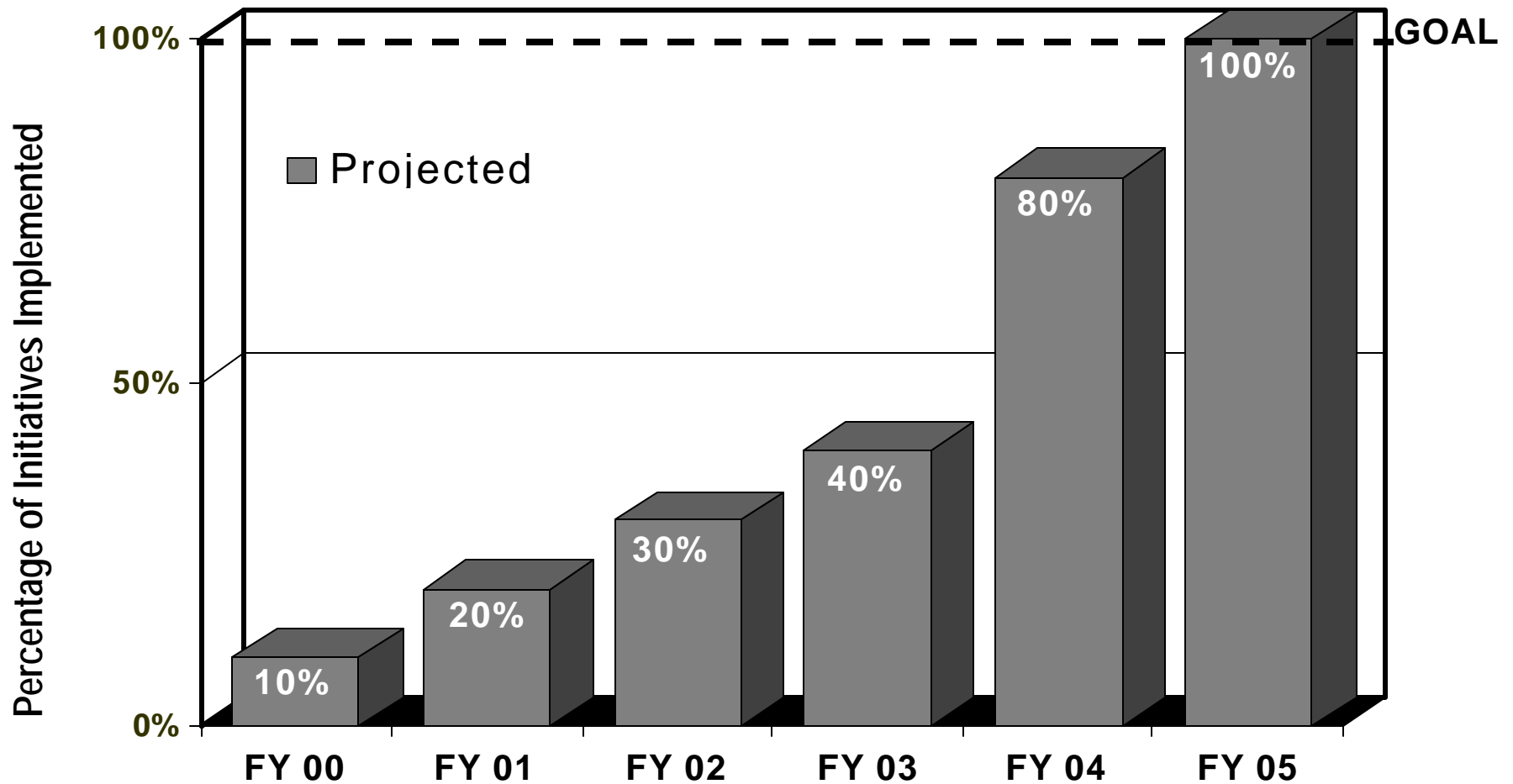
**Source:** *DFAS Performance Contract*

**Organization, Systems, and Other Issues:** This is recommended as a DRI measure. Related business functions are outlined in the *DFAS Performance Contract*. During implementation, outcome performance measures can be established. Once the initiatives are implemented, the outcomes or results of the process changes can be measured.



# Reengineer Financial Management Business Practices

*Complete Benchmarking/ABC/BPR for Business Functions*



## **Initiative 3.03 - Improve Financial Management Framework**

### **Background**

The Office of the Under Secretary of Defense (Comptroller) has responsibility for improvement of the Financial Management framework. Since 1991, DoD has been pursuing DFAS consolidation in order to eliminate redundancy, facilitate standardization, improve service to customers, and increase productivity. The Financial Management framework also includes developing new Federal accounting standards, strengthening internal controls, and conducting Financial Management education programs.

### **Approach**

The project team investigated all current publicly available information to augment their existing background knowledge in DoD finance and accounting programs. Extensive interviews were then held with Financial Management Initiative team to gain a direct understanding of underlying goals and currently available information/data that could be used in developing performance measures and scorecards. The resulting working group adopted the balanced scorecard approach, as they evaluated each initiative from the financial perspective, the customer perspective, the internal (business process) perspective, and the innovation and learning perspective.

Following data assessment and review of measures external to DRI, the group developed proposed performance measures and presented them to the initiative leads. Following initiative lead acceptance of new metrics, scorecards were developed to reflect DoD performance within the new metrics.





## 3.03 - Improve Financial Management Framework

- **Background**

- Improve Financial Management framework through standardization, Financial Management education programs, improved service to customers, increased productivity, and management of internal controls

- **Approach**

- In-depth meetings with Financial Management Initiative team
- Balanced scorecard approach
- Joint development of metrics/scorecards

## **Initiative 3.03 - Improve Financial Management Framework**

### **Performance Measurements**

The existing measure for Improve Financial Management Framework is a measure related to reduction of problem disbursements. This metric shows an 84 percent improvement in reconciling disbursements with official accounting records from the FY 1993 baseline of \$34.3 Billion to the FY 1999 figure of \$5.5 Billion, with a goal of \$2.0 Billion by FY 2000.

### **Recommendations**

A balanced scorecard approach allows the creation of measures reflecting outcome, as well as output, to supplement the existing measure.

The existing performance measure is appropriate; however, there are a number of other possible measures that the DoD Comptroller or DFAS already use or could easily use to measure this Defense Reform Initiative. The following recommendations (in order of importance) list measures that should be included in DRI 3.03 to create a balanced scorecard:

- Innovation and Learning - Measure continued education and staff training through the new Financial Management Certification Program; promotions should be linked to increased education or certification requirements
- Internal Business Process - Measure the achievement of an “unqualified audit opinion”
- Financial - Measure decrease in DoD Financial Management total operating costs
- Financial - Measure decrease in DFAS total operating costs
- Internal Business Process - Measure compliance of all finance and accounting statements to the Federal Financial Management Reporting Standards, OMB, Financial Management Regulations, and FASAB; review possibilities for private-sector benchmarking (such as GAP)
- Internal Business Process - Measure reduction of in-transit disbursements
- Customer Satisfaction/Internal Business Process - Measure customer (user) reaction to standardization of financial business processes and accounting standards
- Internal Business Process - Measure results in improvement through DFAS internal controls



## 3.03 - Improve Financial Management Framework

- **Performance Measurements**
  - Current measure: reduce problem disbursements
- **Recommendations**
  - Use balanced scorecard approach
  - Measure results of continued education and certification programs
  - Measure DFAS operating and other process-related costs
  - Verify compliance of all financial statements
  - Standardize finance and accounting practices
  - Improve internal control measures

## Initiative 3.03 - Improve Financial Management Framework

**Goal:** Reduce problem disbursements from \$34.3 billion to \$2 billion by FY 2000

**Performance Measurement:** Dollar value of problem disbursements (in billions)

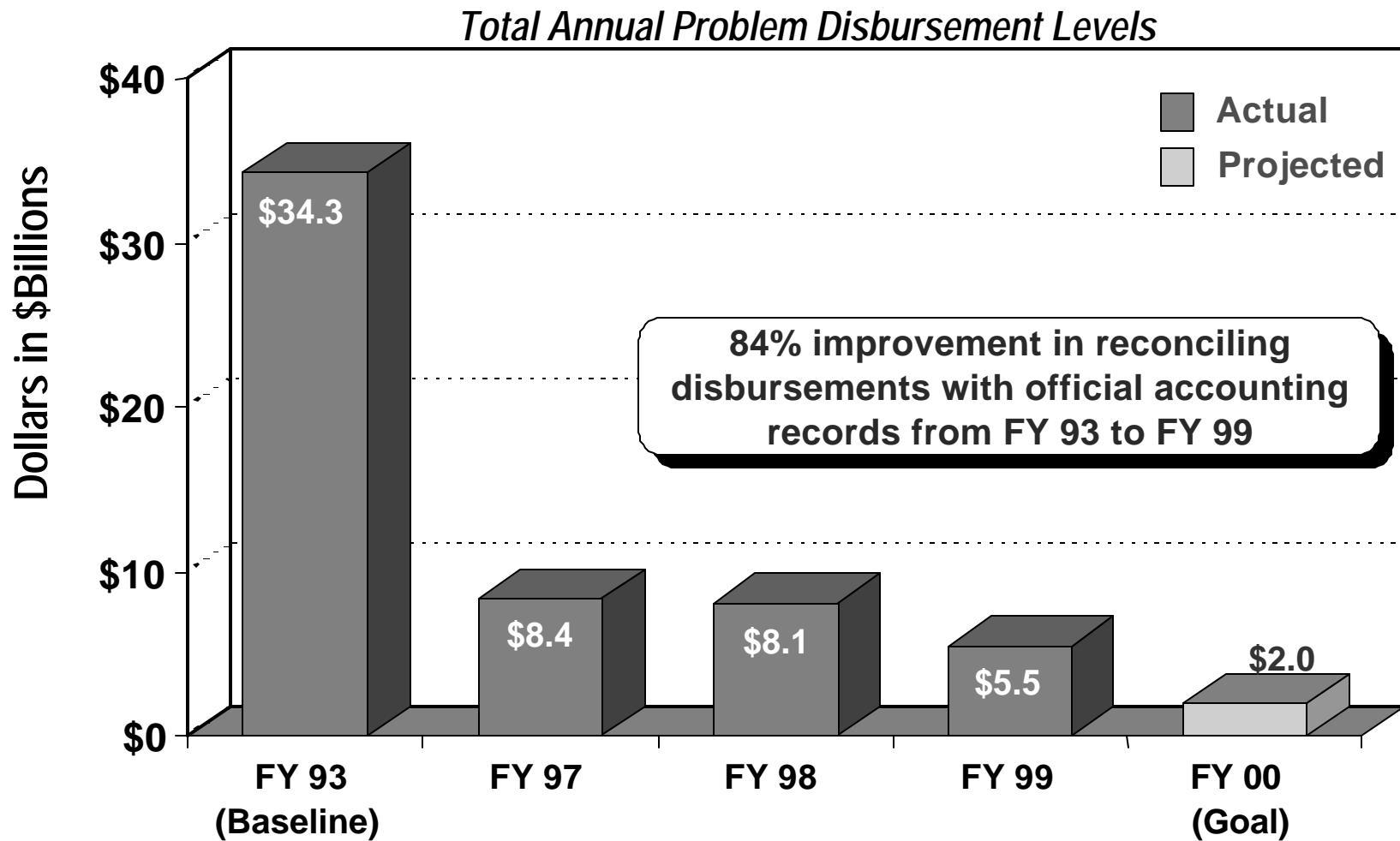
	Baseline				Goal
	<u>1993</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Actual	\$34.3	\$8.4	\$8.1	\$5.5	
Projected					\$2.0

**Source:** *DFAS Performance Contract*, SecDef Brief, 11 Nov. 99

**Organization, Systems, and Other Issues:** Need to continue measurement beyond FY 2000, to include setting a follow-on goal.



# Improve Financial Management Framework by Reducing Problem Disbursements by 75% of 1998 Level



### **Initiative 3.03 - Improve Financial Management Framework**

**Goal:** Train 75 percent of personnel through the new Financial Management Certification Program by 2005

**Performance Measurement:** Percentage of personnel trained/certified

	<u><b>2000</b></u>	<u><b>2001</b></u>	<u><b>2002</b></u>	<u><b>2003</b></u>	<u><b>2004</b></u>	<u><b>2005</b></u>
<b>Projected</b>	<b>12.5%</b>	<b>25%</b>	<b>37.5%</b>	<b>50%</b>	<b>62.5%</b>	<b>75%</b>

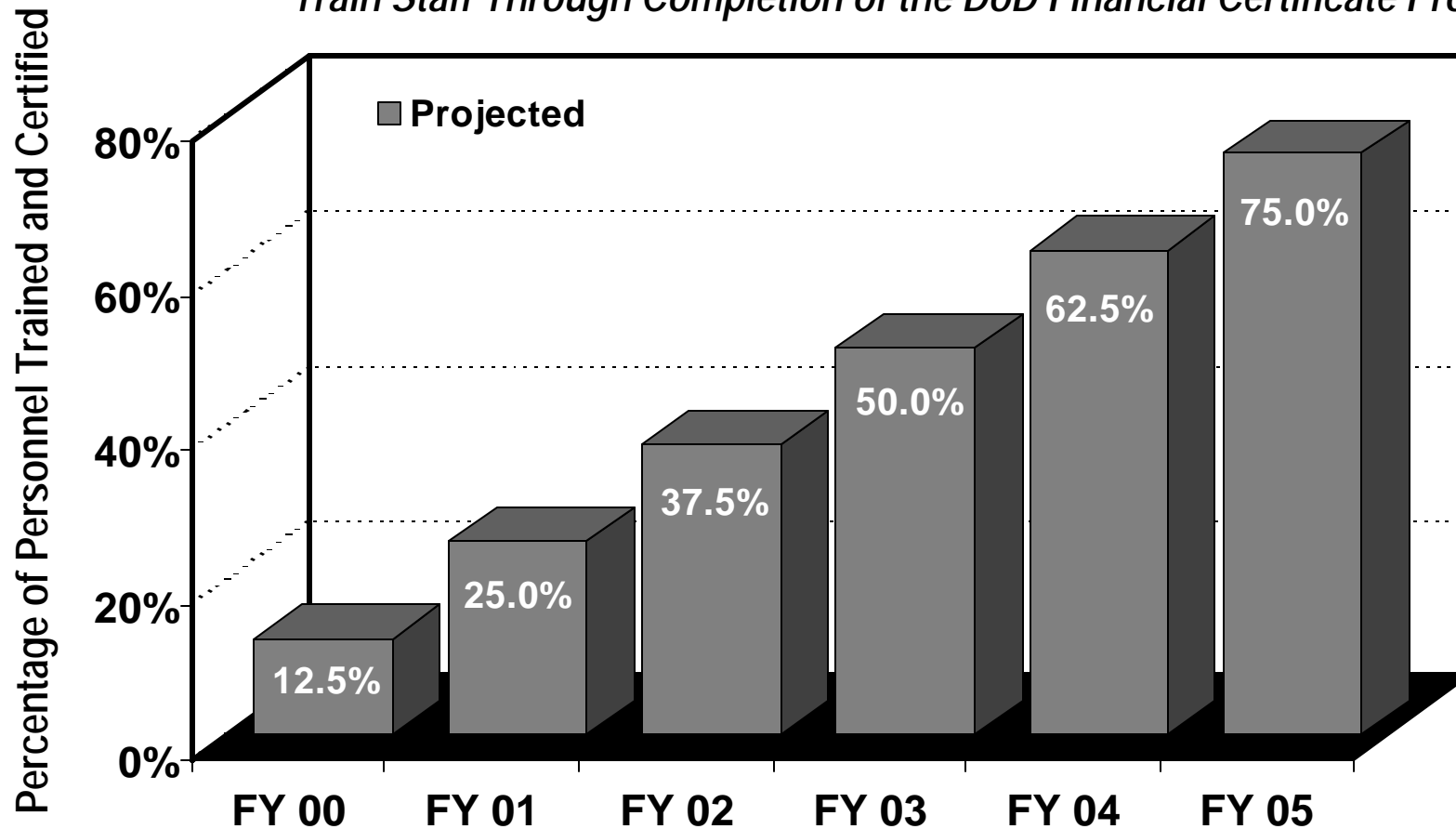
**Source:** *DFAS Performance Contract*

**Organization, Systems, and Other Issues:** This is recommended as a DRI measure



# Improve Financial Management Framework

*Train Staff Through Completion of the DoD Financial Certificate Program*



## Initiative 3.03 - Improve Financial Management Framework

**Goal:** Reduce percentage of opened internal control weaknesses to zero by 2004

**Performance Measurement:** Percentage of opened internal control weaknesses

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Projected</b>	<b>100%</b>	<b>70%</b>	<b>40%</b>	<b>10%</b>	<b>0%</b>

**Source:** *CFO Five-Year Plan*

**Organization, Systems, and Other Issues:** This is recommended as a DRI measure





# Improve Financial Management Framework

